

Feedback on Consultation Paper issued by GMRG

Capacity Trading Platforms

1. (a) Single capacity trading platform should be developed.

- Having a single platform will create a uniform system where all market participants can participate in a standardised manner, which is consistent with the efficient operation and use of the natural gas services promoted by the NGO.
- Channelling all trading volumes into a single platform will help create a liquid market enabling market participants to trade a full range of products and services under one unified system seamlessly, as envisioned in the Council's Vision.

2. (a) Single capacity trading platform should be operated by AEMO as part of the Gas Supply Hub

- With the Gas Supply Hub already set up and in operation by AEMO, it is logical to leverage on existing system rather than reinventing the wheel and set up a whole new system operated by a different operator.
- The incremental cost of adding capacity trading into the existing Gas Supply Hub platform operated by AEMO is likely to be significantly lower than developing a whole new system and operated by an additional operator.
- The proposed capacity trading platform is aimed to improve the overall efficiency and utilisation of the pipeline capacities. Therefore, the philosophy of the system design concept should be to achieve the objective with an effective and least-cost solution.
- Adding capacity trading into an existing Gas Supply Hub system that is already operating with gas and hub services trading helps create a platform that offers a complete gas and related services trading under a seamless and unified system.
- Given the familiarity of existing market players with the Gas Supply Hub operated by AEMO, it is expected that it will be easier to on-board market participants with the capacity trading platform and hence a faster take-up rate.

3. (a) The anonymity of trading parties should be maintained by AEMO

- Revelation of trading parties does not have direct relation to the overall functioning of market operation.
- Different market players might have different capacity positions underpinned by their individual unique situations at different point in time. Such position may potentially be commercially sensitive and therefore, they should not have to worry about revealing such information when they trade.
- This should eventually encourage and facilitate higher participation from market participants.

Auction of Contracted but Un-Nominated Capacity

1. (a) A single auction platform should be developed

- Consistent with our view around having a single platform for capacity trading, it will be more efficient to have all gas related trading/auction activities to be housed under one system where all market participants can participate in a standardised manner.
- We echo the comment made by the project team members - Shippers seeking access to capacity across multiple pipelines and having to access each pipeline operator's system individually could be exposed to greater risk of error and cost trying to bid for capacity from different pipeline operators.

2. (a) Single auction platform should be operated by AEMO

- On the basis that there will be a single capacity trading platform operated by AEMO, it is logical to have the single auction platform that will be developed to also be operated by AEMO.
- Having a complete suite of products/services under a single platform operated by a single operator will offer market participants with end-to-end visibility of what's available in the market.
- This is consistent with the reform objective of reducing information asymmetries to aid the price discovery process and enable more informed decision making.
- Although upfront development cost is perceived to be higher and auction timeline to be longer by having a single auction platform operated by AEMO, they are deemed to be insignificant in the longer-term vis-à-vis having an efficient system.

3. General Feedback

- It is stated in the consultation paper that the residual revenue from the conduct of the auction will be provided to the pipeline operators.
- Pipeline operators would have been paid for the contracted capacity and residual revenue from the auction would be incremental revenue to them.
- It is our opinion that this is inconsistent with the proposed reform, which is about addressing contractual congestion and market power held by pipeline operators.